

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6896

BILL NUMBER: HB 1498

NOTE PREPARED: May 1, 2009

BILL AMENDED: Apr 7, 2009

SUBJECT: PERF and TRF Death Benefit.

FIRST AUTHOR: Rep. Ruppel

FIRST SPONSOR: Sen. Kruse

BILL STATUS: Enrolled

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill:

(1) reduces from 15 to 10 the number of years of creditable service that an active member of the Public Employees' Retirement Fund (PERF) must earn for a surviving spouse or surviving dependent to receive a survivor benefit and makes the change retroactive to January 1, 2007;

(2) requires PERF to make a reasonable effort to notify certain surviving spouses or surviving dependents of changes made by this act; and

(3) provides a "thirteenth check" amount for Teachers' Retirement Fund (TRF) members, survivors, and beneficiaries.

Effective Date: January 1, 2007 (retroactive); Upon passage; July 1, 2009.

Explanation of State Expenditures: (Revised) *PERF Survivor's Benefit:* (1) The impact of reducing the number of years of creditable service required is shown in the table below.

	State	Political Subdivisions	Total
Increase in Unfunded Accrued Liability	\$57,200	\$126,300	\$183,500
Increase in Annual Cost	\$17,700	\$45,600	\$63,300
Increase in Annual Cost (as % of Pay)	0.001%	0.001%	0.001%

There is no change in the funded status from 97.5%. The funds affected are the state General Fund (55%), or \$9,735, and various dedicated funds (45%), or \$7,965. The percentage split represents the split in the personal services expenditures of the state budget.

(2) *PERF Notification Requirements*: Requiring PERF to make reasonable efforts to notify certain surviving spouses or surviving dependents will increase mailing costs associated with these efforts. The proposal defines reasonable to mean mailing notification of changes as proposed to the member's last known address. The fund affected is the PERF Administrative fund.

(Revised) (3) *Teachers' Retirement Fund 13th Check*: The impact of providing a 13th check is shown in the table below.

	Pre-1996 Account*	1996 Account**	Total
Increase in Cost (one-time)	\$17 M	\$1 M	\$18 M

Background Information: The 13th check amount is based on creditable service at retirement, varying from \$150 to \$450. The average check amount is estimated to be about \$400 for both the Pre-1996 Account and the 1996 Account. This is based on the June 30, 2008, census.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues:

State Agencies Affected: All

Local Agencies Affected: Those units with members in PERF and school corporations with members in TRF.

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for PERF, 317-576-1508; John Dowell, Alliance Benefit Group, actuaries for TRF, 317-803-7832.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS

Unfunded Actuarial Liability -The actuarial liability, sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.